

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2688-02
BILL NO.: SB 890
SUBJECT: Veterans; Taxation and Revenue-Income
TYPE: Original
DATE: February 28, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$66,056,438)	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	(\$66,056,438)	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of the Adjutant General** state this proposal allows a one time state income tax credit of \$500 for individuals who served in the United States armed forces between December 7, 1941 and December 31, 1945. Adjutant General staff state this proposal would not fiscally impact their agency.

Officials of the **Department of Public Safety-Missouri Veterans' Commission** state as with other bonus-type proposals, it is assumed this legislation would require their staff to assist in researching veteran's data. They have estimated an annual cost of approximately \$30,000 for mailing and other administrative costs for research, records search, etc.

Officials of the **Office of Administration (COA)** estimate the revenue impact of this proposal would result in a loss to General Revenue of approximately (\$66,000,000). This estimate is based on a similar proposal in which the Office of the Adjutant General stated that there were approximately 132,000 World War II veterans. COA staff assume that all 132,000 veterans would file and claim the \$500 tax credit.

Officials of the **Department of Revenue (DOR)** state this legislation authorizes a one-time tax credit equal to \$500 for an individual taxpayer who served in the U.S. armed forces at any time from December 1941 and December 1945, and who was honorably discharged. The tax credit is for tax year 2000 and is refundable.

The number of taxpayers eligible for the tax credits is unknown at this time. However, the Department does not anticipate the volume will be large enough to request additional FTE for processing at this time.

This legislation will require modifications to the income tax system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor at a cost of \$41,617. Modifications to the income tax return and schedules will be completed with existing resources. The State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs.

Oversight assumes the Department of Revenue would require 692 hours of overtime at a cost of \$20,808 for modifications to the income tax system. Oversight also estimates that funding for State Data Center charges would be \$5,630 for additional storage and fields to be captured.

This proposal would result in a decrease in Total State Revenues.

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss to General Revenue Fund</u>			
Tax credit for World War II Veterans	(\$66,000,000)	\$0	\$0
<u>Cost to General Revenue Fund</u>			
Missouri Veterans' Commission-Expense	(\$30,000)	\$0	\$0
<u>Cost - Department of Revenue</u>			
Reprogramming costs	(\$26,438)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$66,056,438)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act allows an individual taxpayer who served in the United States Armed forces at any time between December 7, 1941 and December 31, 1945 and was honorably discharged, an income tax credit in the amount of five hundred dollars beginning January 1, 2000 and ending before January 1, 2001. This tax credit is refundable.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

RB:LR:OD:005 (9-94)

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Office of Administration
Office of the Adjutant General
Department of Public Safety-Missouri Veterans' Commission
Department of Revenue

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
February 28, 2000